

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|---|-----------------------------------|---|-------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name Township of Casco | County Allegan |
| Fiscal Year End June 30, 2007 | Opinion Date November 20, 2007 | Date Audit Report Submitted to State December 13, 2007 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

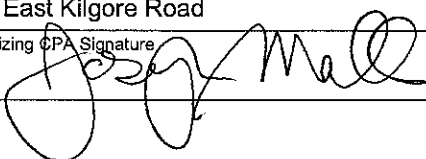
SN
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | Not Required | |
| Other (Describe) | <input checked="" type="checkbox"/> | SAS 112 Letter | |
| Certified Public Accountant (Firm Name) Siegfried Crandall PC | | Telephone Number (269)381-4970 | |
| Street Address 246 East Kilgore Road | | City Kalamazoo | State MI |
| Zip 49002 | | | |
| Authorizing CPA Signature  | | Printed Name Joseph M Walls, CPA | License Number 1101013696 |

Township of Casco
Allegan County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2007

CONTENTS

| | <i>Page</i> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 3 - 4 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-wide financial statements: | |
| Statement of net assets | 5 |
| Statement of activities | 6 |
| Fund financial statements: | |
| Balance sheet - governmental funds | 7 |
| Statement of revenues, expenditures, and changes in fund balances - governmental funds | 8 - 9 |
| Notes to financial statements | 10 - 17 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Budgetary comparison schedules: | |
| General Fund | 18 - 19 |
| Road Fund | 20 |
| Fire and Ambulance Fund | 21 |
| SUPPLEMENTARY INFORMATION: | |
| Combining balance sheet - nonmajor governmental funds | 22 |
| Combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds | 23 |

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Casco, Michigan**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Casco, Michigan, as of June 30, 2007, and for the year then ended, which collectively comprise the Township of Casco, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Casco, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Casco, Michigan, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 18 through 21, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Casco, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.



Board of Trustees
Township of Casco, Michigan
Page 2

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Casco, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Casco, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

November 20, 2007

BASIC FINANCIAL STATEMENTS

Township of Casco
STATEMENT OF NET ASSETS
June 30, 2007

| | <u>Governmental activities</u> |
|---|---|
| ASSETS | |
| Current assets: | |
| Cash | \$ 1,429,643 |
| Receivables | 270,050 |
| Prepaid expenses | <u>10,645</u> |
| Total current assets | <u>1,710,338</u> |
| Noncurrent assets: | |
| Receivables | 1,475,972 |
| Long-term advance to other governmental units | 547,397 |
| Capital assets not being depreciated - land | 72,830 |
| Capital assets, net of accumulated depreciation | <u>253,821</u> |
| Total noncurrent assets | <u>2,350,020</u> |
| Total assets | <u>4,060,358</u> |
| LIABILITIES | |
| Current liabilities: | |
| Payables | 138,015 |
| Current maturities of long-term debt | <u>137,764</u> |
| Total current liabilities | 275,779 |
| Noncurrent liabilities - long-term debt | <u>1,475,972</u> |
| Total liabilities | <u>1,751,751</u> |
| NET ASSETS | |
| Invested in capital assets | 326,651 |
| Restricted for: | |
| Public safety | 603,116 |
| Public works | 280,013 |
| Health and welfare | 21,809 |
| Recreation and culture | 35,542 |
| Unrestricted, unallocated | <u>1,041,476</u> |
| Total net assets | <u><u>\$ 2,308,607</u></u> |

See notes to financial statements

Township of Casco
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

| | <u>Program revenues</u> | | | <u>Net (expenses)</u> <u>revenues and</u> <u>changes in</u> <u>net assets</u> |
|---------------------------------------|-------------------------|---------------------------------------|---|--|
| | <u>Expenses</u> | <u>Charges for</u> <u>services</u> | <u>Operating</u> <u>grants and</u> <u>contributions</u> | <u>Governmental</u> <u>activities</u> |
| Functions/Programs | | | | |
| Governmental activities: | | | | |
| Legislative | \$ 3,967 | \$ - | \$ - | \$ (3,967) |
| General government | 211,475 | 128,895 | - | (82,580) |
| Public safety | 270,132 | 46,474 | - | (223,658) |
| Public works | 176,235 | 3,135 | 5,545 | (167,555) |
| Health and welfare | 147,340 | - | 2,120 | (145,220) |
| Community and economic development | 99,180 | 4,825 | 5,300 | (89,055) |
| Recreation and culture | 7,315 | - | - | (7,315) |
| Interest on long-term debt | <u>125,631</u> | <u>125,631</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>\$ 1,041,275</u> | <u>\$ 308,960</u> | <u>\$ 12,965</u> | <u>(719,350)</u> |
| General revenues: | | | | |
| Taxes | | | | 790,502 |
| State grants | | | | 207,680 |
| Investment income | | | | 77,883 |
| Other | | | | <u>2,999</u> |
| Total general revenues | | | | <u>1,079,064</u> |
| Change in net assets | | | | 359,714 |
| Net assets - beginning | | | | <u>1,948,893</u> |
| Net assets - ending | | | | <u>\$ 2,308,607</u> |

See notes to financial statements

Township of Casco
BALANCE SHEET - governmental funds
June 30, 2007

| | <u>General</u> | <u>Road</u> | <u>Fire and Ambulance</u> |
|--|---------------------|-------------------|---------------------------|
| ASSETS | | | |
| Cash | \$ 503,037 | \$ 341,873 | \$ 527,382 |
| Receivables | 73,962 | - | - |
| Due from other funds | 63,448 | 16,088 | 1,450 |
| Prepaid expenses | 10,645 | - | - |
| Long-term advance to other governments | <u>547,397</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>\$ 1,198,489</u> | <u>\$ 357,961</u> | <u>\$ 528,832</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Payables | \$ 65,191 | \$ 14,500 | \$ - |
| Due to other funds | 17,538 | 63,448 | - |
| Deferred revenue | <u>34,700</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>117,429</u> | <u>77,948</u> | <u>-</u> |
| Fund balances: | | | |
| Reserved for long-term advance | 547,397 | - | - |
| Reserved for building inspections | 74,284 | - | - |
| Unreserved, undesignated | <u>459,379</u> | <u>280,013</u> | <u>528,832</u> |
| Total fund balance | <u>1,081,060</u> | <u>280,013</u> | <u>528,832</u> |
| Total liabilities and fund balances | <u>\$ 1,198,489</u> | <u>\$ 357,961</u> | <u>\$ 528,832</u> |

Total fund balances - governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of governmental funds

| <i>Debt Service</i> | <i>Other governmental funds</i> | <i>Totals</i> |
|-------------------------|---|---------------------|
| \$ - | \$ 57,351 | \$ 1,429,643 |
| 1,672,060 | - | 1,746,022 |
| - | - | 80,986 |
| - | - | 10,645 |
| - | - | 547,397 |
| <u>\$ 1,672,060</u> | <u>\$ 57,351</u> | <u>\$ 3,814,693</u> |

| | | |
|---------------------|------------------|---------------------|
| \$ - | \$ - | \$ 79,691 |
| - | - | 80,986 |
| <u>1,672,060</u> | <u>-</u> | <u>1,706,760</u> |
| <u>1,672,060</u> | <u>-</u> | <u>1,867,437</u> |
| - | - | 547,397 |
| - | - | 74,284 |
| <u>-</u> | <u>57,351</u> | <u>1,325,575</u> |
| <u>-</u> | <u>57,351</u> | <u>1,947,256</u> |
| <u>\$ 1,672,060</u> | <u>\$ 57,351</u> | <u>\$ 3,814,693</u> |
| | | \$ 1,947,256 |

326,651

1,706,760

(58,324)

(1,613,736)

\$ 2,308,607

See notes to financial statements

Township of Casco**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended June 30, 2007

| | <u>General</u> | <u>Road</u> | <u>Fire and Ambulance</u> | <u>Debt Service</u> |
|---|---------------------|-------------------|-------------------------------|-------------------------|
| REVENUES | | | | |
| Taxes | \$ 156,420 | \$ 212,303 | \$ 385,424 | \$ - |
| Licenses and permits | 46,474 | - | - | - |
| Intergovernmental | - | - | - | - |
| State grants | 218,525 | - | - | - |
| Charges for services | 24,929 | - | - | - |
| Interest and rentals | 68,877 | 9,911 | 16,115 | 123,602 |
| Other | 5,606 | - | - | 179,872 |
| | <u>520,831</u> | <u>222,214</u> | <u>401,539</u> | <u>303,474</u> |
| Total revenues | <u>520,831</u> | <u>222,214</u> | <u>401,539</u> | <u>303,474</u> |
| EXPENDITURES | | | | |
| Legislative | 3,967 | - | - | - |
| General government | 203,681 | - | - | - |
| Public safety | 39,252 | - | 230,880 | - |
| Public works | 105,414 | 144,165 | - | - |
| Health and welfare | - | - | 88,017 | - |
| Community and economic development | 93,942 | - | - | - |
| Recreation and culture | 7,315 | - | - | - |
| Capital outlay | 4,954 | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | 179,872 |
| Interest | - | - | - | 123,602 |
| | <u>458,525</u> | <u>144,165</u> | <u>318,897</u> | <u>303,474</u> |
| Total expenditures | <u>458,525</u> | <u>144,165</u> | <u>318,897</u> | <u>303,474</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 62,306 | 78,049 | 82,642 | - |
| FUND BALANCES - BEGINNING | <u>1,018,754</u> | <u>201,964</u> | <u>446,190</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 1,081,060</u> | <u>\$ 280,013</u> | <u>\$ 528,832</u> | <u>\$ -</u> |

| <i>Other governmental funds</i> | <i>Totals</i> |
|--|----------------------|
| \$ 114,554 | \$ 868,701 |
| - | 46,474 |
| 2,120 | 2,120 |
| - | 218,525 |
| - | 24,929 |
| - | 218,505 |
| - | 185,478 |
| <u>116,674</u> | <u>1,564,732</u> |
| - | 3,967 |
| - | 203,681 |
| - | 270,132 |
| - | 249,579 |
| 59,323 | 147,340 |
| - | 93,942 |
| - | 7,315 |
| - | 4,954 |
| - | 179,872 |
| - | 123,602 |
| <u>59,323</u> | <u>1,284,384</u> |
| 57,351 | 280,348 |
| <u>-</u> | <u>1,666,908</u> |
| <u>\$ 57,351</u> | <u>\$ 1,947,256</u> |

See notes to financial statements

Township of Casco

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - *governmental funds***

Year ended June 30, 2007

| | <u>Total governmental funds</u> |
|---|--|
| Net change in fund balances - total governmental funds | \$ 280,348 |
| Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because: | |
| Capital assets: | |
| Assets acquired | 78,735 |
| Provision for depreciation | (13,469) |
| Long-term debt: | |
| Debt issued | (10,480) |
| Principal repayments | 179,872 |
| Changes in other assets/liabilities: | |
| Net decrease in accrued interest expense | (2,029) |
| Net decrease in deferred revenue | <u>(153,263)</u> |
| Change in net assets of <i>governmental activities</i> | <u>\$ 359,714</u> |

See notes to financial statements

Township of Casco
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Casco, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for Township road improvements financed through property taxes.

The Fire and Ambulance Fund accounts for the operating contributions made to the joint venture described in Note 11.

The Debt Service Fund accounts for collection of assessments and interest, and the payment of long-term debt related to Water and Sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

The Township reports one fiduciary fund, its Tax Collection Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted revenues are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets other than infrastructure are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|-------------------|-------------|
| Buildings | 40 years |
| Equipment | 5 - 7 years |
| Shared road costs | 20 years |

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the activity level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

The following schedule sets forth significant budget variations:

| <u>Fund</u> | <u>Function</u> | <u>Activity</u> | <u>Total appropriation</u> | <u>Total expenditures</u> | <u>Variance</u> |
|--------------------|--------------------|-----------------|--------------------------------|-------------------------------|-----------------|
| General | General government | Assessor | \$ 28,000 | \$ 31,240 | \$ 3,240 |
| Road | Public works | Roads | 38,500 | 144,165 | 105,665 |
| Fire and Ambulance | Public safety | Fire protection | 215,918 | 230,880 | 14,962 |
| Hospital | Health and welfare | Hospital | - | 42,775 | 42,775 |

NOTE 3 - CASH:

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2007, \$1,336,231 of the Township's bank balances of \$1,436,231 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major funds are as follows:

| <u>Fund</u> | <u>Inter- governmental</u> | <u>Special assessments</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|--------------------------------|--------------------------------|-----------------|--------------|
| General | \$ 73,962 | \$ - | \$ - | \$ 73,962 |
| Debt Service | - | 1,613,736 | 58,324 | 1,672,060 |
| Totals | \$ 73,962 | \$ 1,613,736 | \$ 58,324 | \$ 1,746,022 |
| Non-current portion | \$ - | \$ 1,475,972 | \$ - | \$ 1,475,972 |

All receivables are considered to be fully collectible.

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007, was as follows:

| | <u>Beginning balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated - land | \$ 72,830 | \$ - | \$ - | \$ 72,830 |
| Capital assets being depreciated: | | | | |
| Buildings | 242,000 | - | - | 242,000 |
| Infrastructure - shared road costs | 88,144 | 78,735 | - | 166,879 |
| Equipment | 41,494 | - | - | 41,494 |
| Subtotal | <u>371,638</u> | <u>78,735</u> | <u>-</u> | <u>450,373</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (137,000) | (6,000) | - | (143,000) |
| Infrastructure | (9,572) | (5,391) | - | (14,963) |
| Equipment | (36,511) | (2,078) | - | (38,589) |
| Subtotal | <u>(183,083)</u> | <u>(13,469)</u> | <u>-</u> | <u>(196,552)</u> |
| Total capital assets being depreciated, net | <u>188,555</u> | <u>65,266</u> | <u>-</u> | <u>253,821</u> |
| Governmental activities capital assets, net | <u>\$ 261,385</u> | <u>\$ 65,266</u> | <u>\$ -</u> | <u>\$ 326,651</u> |

Depreciation expense was charged to functions of the Township as follows:

| | |
|------------------------------------|------------------|
| Governmental activities: | |
| General government | \$ 7,794 |
| Public works | 5,391 |
| Community and economic development | <u>284</u> |
| Total governmental activities | <u>\$ 13,469</u> |

NOTE 6 - PAYABLES:

Payables as of year end for the government's individual major are as follows:

| <u>Fund</u> | <u>Accounts</u> | <u>Payroll</u> | <u>Inter- governmental</u> | <u>Total</u> |
|-------------|------------------|------------------|--------------------------------|------------------|
| General | \$ 23,647 | \$ 11,174 | \$ 30,370 | \$ 65,191 |
| Road | <u>-</u> | <u>-</u> | <u>14,500</u> | <u>14,500</u> |
| | <u>\$ 23,647</u> | <u>\$ 11,174</u> | <u>\$ 44,870</u> | <u>\$ 79,691</u> |

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES:

Long-term debt at June 30, 2007, is comprised of the following individual issues:

Contracts payable:

| | |
|--|--------------------|
| \$800,728 1995 water and sewer assessments, due to Allegan County in annual installments through 2015; interest at approximately 6.2% | \$ 231,920 |
| \$776,261 1998 water and sewer assessments, due to Van Buren County in annual installments through 2019; interest at approximately 5.8% | 320,956 |
| \$1,606,818 2000 water and sewer assessments, due to Van Buren County in annual installments through 2021; interest at approximately 6.3% | 884,022 |
| \$286,789 contracts payable, due to South Haven and Casco Township Water and Wastewater Treatment Authority in various annual installments; interest at approximately 6.0% | <u>176,838</u> |
| Total contracts payable | <u>\$1,613,736</u> |

Long-term liability activity for the year ended June 30, 2007, was as follows:

| | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Amounts due within one year</u> |
|-----------------------------|------------------------------|------------------|---------------------|---------------------------|--|
| Contracts payable: | | | | | |
| 1995 | \$ 273,895 | \$ - | \$ (41,975) | \$ 231,920 | \$ 25,769 |
| 1998 | 344,617 | - | (23,661) | 320,956 | 26,746 |
| 2000 | 980,423 | - | (96,401) | 884,022 | 63,144 |
| Unbonded | <u>184,193</u> | <u>10,480</u> | <u>(17,835)</u> | <u>176,838</u> | <u>22,105</u> |
| Total long term liabilities | <u>\$ 1,783,128</u> | <u>\$ 10,480</u> | <u>\$ (179,872)</u> | <u>\$ 1,613,736</u> | <u>\$ 137,764</u> |

Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES (Continued):

Debt service requirements at June 30, 2007, were as follows:

| <u>Year ended June 30</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------|---------------------|-------------------|
| 2008 | \$ 137,764 | \$ 99,982 |
| 2009 | 137,764 | 91,461 |
| 2010 | 137,764 | 82,937 |
| 2011 | 137,764 | 74,415 |
| 2012 | 137,764 | 65,893 |
| 2013 - 2017 | 618,838 | 203,000 |
| 2018 - 2021 | <u>306,078</u> | <u>44,694</u> |
| Totals | <u>\$ 1,613,736</u> | <u>\$ 662,382</u> |

The Township is contingently liable for \$6,280,246 of outstanding water and sewer system contracts payable in excess of the amounts which are to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES:

At June 30, 2007, the composition of interfund balances is as follows:

| <u>Fund</u> | <u>Receivables</u> | <u>Fund</u> | <u>Payables</u> |
|--------------------|--------------------|-------------|------------------|
| General | \$ 63,448 | Road | \$ 63,448 |
| Fire and ambulance | 1,450 | General | 1,450 |
| Road | <u>16,088</u> | General | <u>16,088</u> |
| Total | <u>\$ 80,986</u> | Total | <u>\$ 80,986</u> |

The amount due to the General Fund from the Road Fund represents short-term borrowing to cover road expenditures. The interfund balances due to the Fire and Ambulance and the Road Fund from the General Fund represent tax receipts held temporarily by the General Fund.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years

Charter Township of Casco
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - JOINT VENTURE BALANCES AND TRANSACTIONS:

The Township, together with the Township of South Haven, established a joint water and sewage treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township has advanced \$547,397 for its share of the costs of the authority and anticipates reimbursement in the future, including interest of \$34,700.

The Township has joined the City of South Haven and the Townships of South Haven and Geneva in establishing a joint emergency services authority to provide fire and ambulance services in the authority's area of operation, which includes the Township of Casco. The operations of the emergency services authority are financed by taxes levied annually within the participating units of government. During the year ended June 30, 2007, the Township contributed \$318,897 toward the authority's operations.

The Township has joined the cities of South Haven and Bangor and the Townships of South Haven, Geneva, and Covert in establishing a joint regional airport authority to provide airfield services in the authority's area of operation, which includes the Township of Casco. The operations of the regional airport authority are financed by annual contributions within the participating units of government, as well as hangar rentals and fuel sales. During the year ended June 30, 2007, the Township contributed \$36,445 toward the authority's operations.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2007, is as follows:

| | |
|----------------------------------|-----------------|
| Revenues | \$ 46,474 |
| Expenses | <u>39,252</u> |
| Excess of revenues over expenses | <u>\$ 7,222</u> |

REQUIRED SUPPLEMENTARY INFORMATION

Township of Casco
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2007

| | <u>Original budget</u> | <u>Amended budget</u> | <u>Actual</u> | <u>Variance favorable (unfavorable)</u> |
|---|----------------------------|---------------------------|----------------|---|
| REVENUES | | | | |
| Taxes | \$ 142,000 | \$ 142,000 | \$ 156,420 | \$ 14,420 |
| Licenses and permits | 42,000 | 42,000 | 46,474 | 4,474 |
| State grants | 217,500 | 217,500 | 218,525 | 1,025 |
| Charges for services | 19,300 | 19,300 | 24,929 | 5,629 |
| Interest and rentals | 28,200 | 28,200 | 68,877 | 40,677 |
| Other | 36,000 | 36,000 | 5,606 | (30,394) |
| Total revenues | <u>485,000</u> | <u>485,000</u> | <u>520,831</u> | <u>35,831</u> |
| EXPENDITURES | | | | |
| Legislative | <u>4,500</u> | <u>4,500</u> | <u>3,967</u> | <u>533</u> |
| General government: | | | | |
| Supervisor | 22,900 | 22,900 | 20,772 | 2,128 |
| Elections | 8,800 | 8,800 | 5,214 | 3,586 |
| Assessor | 28,000 | 28,000 | 31,240 | (3,240) |
| Clerk | 34,050 | 36,050 | 34,095 | 1,955 |
| Board of Review | 1,950 | 2,250 | 1,833 | 417 |
| Treasurer | 32,700 | 36,500 | 33,544 | 2,956 |
| Building and grounds | 23,350 | 24,350 | 18,590 | 5,760 |
| Cemetery | 46,700 | 49,700 | 35,777 | 13,923 |
| Other | 22,900 | 26,400 | 22,616 | 3,784 |
| Total general government | <u>221,350</u> | <u>234,950</u> | <u>203,681</u> | <u>31,269</u> |
| Public safety - building inspections | <u>27,000</u> | <u>39,000</u> | <u>39,252</u> | <u>(252)</u> |
| Public works: | | | | |
| Transfer station | 52,150 | 52,150 | 51,135 | 1,015 |
| Airport authority | 27,500 | 36,450 | 36,445 | 5 |
| Drains | 14,000 | 15,000 | 14,645 | 355 |
| Street lights | 5,100 | 6,800 | 3,189 | 3,611 |
| Total public works | <u>98,750</u> | <u>110,400</u> | <u>105,414</u> | <u>4,986</u> |
| Community and economic development - planning and zoning | <u>64,300</u> | <u>150,800</u> | <u>93,942</u> | <u>56,858</u> |

Township of Casco**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)***Year ended June 30, 2007*

| | <u>Original budget</u> | <u>Amended budget</u> | <u>Actual</u> | <u>Variance favorable (unfavorable)</u> |
|--|----------------------------|---------------------------|---------------------|---|
| EXPENDITURES (Continued) | | | | |
| Recreation and culture - other | \$ 3,300 | \$ 7,300 | \$ 7,315 | \$ (15) |
| Capital outlay | 3,200 | 5,200 | 4,954 | 246 |
| Total expenditures | 422,400 | 552,150 | 458,525 | 93,625 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 62,600 | (67,150) | 62,306 | 129,456 |
| FUND BALANCES - BEGINNING | 1,018,754 | 1,018,754 | 1,018,754 | - |
| FUND BALANCES - ENDING | <u>\$ 1,081,354</u> | <u>\$ 951,604</u> | <u>\$ 1,081,060</u> | <u>\$ 129,456</u> |

Township of Casco
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended June 30, 2007

| | <u>Original budget</u> | <u>Amended budget</u> | <u>Actual</u> | <u>Variance favorable (unfavorable)</u> |
|---|----------------------------|---------------------------|-------------------|---|
| REVENUES | | | | |
| Taxes | \$ 166,670 | \$ 166,670 | \$ 212,303 | \$ 45,633 |
| Interest | <u>400</u> | <u>400</u> | <u>9,911</u> | <u>9,511</u> |
| Total revenues | 167,070 | 167,070 | 222,214 | 55,144 |
| EXPENDITURES | | | | |
| Public works | <u>38,500</u> | <u>38,500</u> | <u>144,165</u> | <u>(105,665)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 128,570 | 128,570 | 78,049 | (50,521) |
| FUND BALANCES - BEGINNING | <u>201,964</u> | <u>201,964</u> | <u>201,964</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 330,534</u> | <u>\$ 330,534</u> | <u>\$ 280,013</u> | <u>\$ (50,521)</u> |

Township of Casco

BUDGETARY COMPARISON SCHEDULE - Fire and Ambulance Fund

Year ended June 30, 2007

| | <u>Original budget</u> | <u>Amended budget</u> | <u>Actual</u> | <u>Variance favorable (unfavorable)</u> |
|---|----------------------------|---------------------------|-------------------|---|
| REVENUES | | | | |
| Taxes | \$ 343,720 | \$ 343,720 | \$ 385,424 | \$ 41,704 |
| Interest | <u>8,000</u> | <u>8,000</u> | <u>16,115</u> | <u>8,115</u> |
| Total revenues | <u>351,720</u> | <u>351,720</u> | <u>401,539</u> | <u>49,819</u> |
| EXPENDITURES | | | | |
| Public safety - fire protection | 215,918 | 215,918 | 230,880 | (14,962) |
| Health and welfare - ambulance | <u>88,237</u> | <u>88,237</u> | <u>88,017</u> | <u>220</u> |
| Total expenditures | <u>304,155</u> | <u>304,155</u> | <u>318,897</u> | <u>(14,742)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 47,565 | 47,565 | 82,642 | 35,077 |
| FUND BALANCES - BEGINNING | <u>446,190</u> | <u>446,190</u> | <u>446,190</u> | <u>-</u> |
| FUND BALANCES - ENDING | <u>\$ 493,755</u> | <u>\$ 493,755</u> | <u>\$ 528,832</u> | <u>\$ 35,077</u> |

SUPPLEMENTARY INFORMATION

Township of Casco
COMBINING BALANCE SHEET - nonmajor governmental funds
June 30, 2007

| | <u>Special revenue funds</u> | | | <u>Total nonmajor governmental funds</u> |
|----------------------------|------------------------------|----------------------------|---------------------------------|--|
| | <u>Hospital</u> | <u>Senior Services</u> | <u>Parks and Recreation</u> | |
| ASSETS | | | | |
| Cash | \$ - | \$ 21,809 | \$ 35,542 | \$ 57,351 |
| FUND BALANCES | | | | |
| Fund balances - unreserved | \$ - | \$ 21,809 | \$ 35,542 | \$ 57,351 |

Township of Casco**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2007

| | <u>Special revenue funds</u> | | | <u>Total nonmajor governmental funds</u> |
|---|------------------------------|----------------------------|---------------------------------|--|
| | <u>Hospital</u> | <u>Senior Services</u> | <u>Parks and Recreation</u> | |
| REVENUES | | | | |
| Taxes | \$ 42,775 | \$ 36,237 | \$ 35,542 | \$ 114,554 |
| Intergovernmental | - | 2,120 | - | 2,120 |
| | | | | |
| Total revenue | 42,775 | 38,357 | 35,542 | 116,674 |
| | | | | |
| EXPENDITURES | | | | |
| Health and welfare | 42,775 | 16,548 | - | 59,323 |
| | | | | |
| EXCESS OF REVENUES OVER EXPENDITURES | - | 21,809 | 35,542 | 57,351 |
| | | | | |
| FUND BALANCES - BEGINNING | - | - | - | - |
| | | | | |
| FUND BALANCES - ENDING | \$ - | \$ 21,809 | \$ 35,542 | \$ 57,351 |

Members of the Township Board Township of Casco, Michigan

In planning and performing our audit of the financial statements of the Township of Casco as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Casco's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record receivables and payables, changes in capital assets and long-term debt, and to develop appropriate footnote disclosures were not in place. As in prior years, the Township has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.



1958-2008

We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Casco and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.

November 20, 2007